

**MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS
OF THE DEPARTMENT OF WATERWORKS**

DATE: JANUARY 28, 2003

The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") was called to order by Vice Chairperson Samuel L. Odle, at 5:12 p.m. in Room 260 of the City-County Building, 200 E. Washington Street, Indianapolis, Indiana. Vice Chairperson Odle announced that he would preside over the meeting in lieu of Chairperson Mutz who could not attend the meeting. The following Board members were present: Beulah Coughenour, Barbara Howard, S. Michael Hudson, Alan Kimbell and Samuel L. Odle. Vice Chairperson Odle stated that public notice had been provided pursuant to applicable law.

Vice Chairperson Odle stated that in the event USFilter employees or Indianapolis Water Company retirees were present, upon the recommendation of counsel, the Board will not make any public statements or hear public comments on matters currently being addressed by the federal court. Vice Chairperson Odle stated that a financial report of the employee benefits will be delivered to the Board by its February meeting.

I. Approval of the Minutes of December 19, 2002

Vice Chairperson Odle asked for questions or comments from the Board concerning the minutes of the December 19, 2002 meeting of the Board as set forth in Exhibit A, attached hereto and made a part hereof ("Minutes"). Vice Chairperson Odle requested that the Board review the Minutes. Mr. Kimbell moved that the Minutes be amended per the bold language of the document set forth in Exhibit B, attached hereto and made a part hereof (the "Amendment"). Kobi M. Wright, Special Assistant Corporation Counsel, stated that he recalled Mr. Kimbell stating in the December 2002 Board meeting that staff could shape the language as it deemed appropriate. Mr. Wright stated the Minutes use the words "financially alleged changes" instead of "financial changes" given that any such changes are for the court to decide in current litigation.

Mr. Kimbell stated that he differed with that view and that no one has disputed that financial changes have occurred citing a termination of the Defined Benefits Plan for non-union USFilter employees and a loss of vacation days. Mr. Wright stated that the Department and the Consolidated City of Indianapolis have not stipulated in legal documents filed with the court that any financial changes have occurred.

Mr. Kimbell stated that the Amendment reflects the meaning he wished to convey in the resolution. Mr. Wright stated that it is in the Board's discretion to amend the Minutes.

Mr. Hudson asked if the Amendment states that the executive committee of the Board can establish a baseline comparison for review. Mr. Wright stated such language is reflected in the Minutes. Mr. Kimbell stated he agreed with such language. Ms. Coughenour seconded the motion to amend the Minutes.

Ms. Coughenour asked if the Amendment could reflect the insertion of the words “and conditions” immediately following “terms” in the third paragraph of the Amendment. Mr. Kimbell stated such wording isn’t precisely what he had offered but that he agreed to its insertion in the Amendment. Vice Chairperson Odle asked if the Amendment would not change the third paragraph of the Minutes. Mr. Kimbell stated that Vice Chairperson Odle was correct. The Minutes subject to the Amendment were unanimously approved by the Board.

II. Election of Chairperson and Vice Chairperson of the Board

Vice Chairperson Odle passed the gavel to Mr. Hudson, Secretary-Treasurer of the Board. Mr. Hudson stated that pursuant to Section 273-214 of the Revised Code of the City of Indianapolis, Marion County, Indiana, the Board must annually elect a chairperson and vice chairperson of the Board. Mr. Hudson opened the floor to nominations for chairperson of the Board.

Mr. Kimbell nominated Samuel Odle as Chairperson. The motion was seconded and unanimously approved. Mr. Hudson announced Samuel Odle as the Chairperson of the Board for 2003.

Mr. Hudson opened the floor for nominations for Vice Chairperson of the Board. Ms. Howard moved that John Mutz be elected Vice Chairperson of the Board. The motion was seconded. The Board unanimously elected John Mutz as Vice Chairperson of the Board for 2003.

Mr. Hudson passed the gavel to Chairperson Odle.

III. Financial Report of the Controller

Mr. Robert Erney, Financial Manager of the Department, read the financial report of the Controller as set forth in Exhibit C, attached hereto and made a part hereof (“Financial Report”).

Ms. Coughenour asked if the EPA grant is shown in the receipts. Mr. Erney stated it is found in “Miscellaneous Deposits” and that other deposits such as main extension deposits are classified in that category.

Chairperson Odle asked when bond interest is paid. Mr. Erney stated it is paid on January 1 and July 1.

Ms. Coughenour asked if the EPA grant payment to USFilter was indicated in the Financial Report. Mr. Erney stated that it is shown in the accounts payable.

Chairperson Odle asked when will 2002 write-offs be indicated. Mr. Erney stated that they will be written off once the accounts have been through a collection agency process. He stated that USFilter originally intended these accounts to be submitted to a collection agency in 2002 but it has now discovered that these accounts have not been submitted to a collection agency.

Ms. Howard asked when the write-off period occurs. Mr. Erney stated that the accounts should be written off after 6 months.

Mr. Kimbell asked how much of the late payments for the aging accounts receivable may be due to customers who are experiencing billing and customer service problems. Mr. Erney stated he does not know how to query such a matter but would ask USFilter Indianapolis Water, LLC ("USIFW") to address it. Mr. Kimbell stated that until these problems are fixed it makes sense to query their affect on aging accounts receivable.

Ms. Coughenour asked if USFIW made an effort to collect aging accounts receivable. Mr. Erney stated that he understood that USFIW has not submitted these aging accounts to a collection agency despite that he understood these accounts would be sent to a collection agency prior to any write offs as part of the negotiation of the UDC sale. Ms. Coughenour asked if the Department has changed to a policy of not writing off accounts until 6 months delinquent. Mr. Erney stated the Department adopted a collection policy in October 2002 with the understanding that aging accounts receivable would be submitted to a collection agency prior to any write off. He stated that he has since learned that USFIW has not submitted those accounts to a collection agency therefore he would like that last step in the collections process undertaken prior to any write-offs.

Chairperson Odle asked when would aging accounts be submitted to a collection agency. Mr. Erney stated at 110 days delinquent. Chairperson Odle asked going forward if a policy is in place to send aging accounts to a collection agency at 110 days. Mr. Erney stated he would assume so given that the Department approved a collection policy.

Ms. Coughenour asked in customers receive a second bill for the amount due before it goes a to a collection agency. Mr. Erney stated yes.

Mr. Kimbell submitted for the record a tabulation of the consultant costs paid to consultants as set forth in Exhibit D, attached hereto and made a part hereof ("Consultant Costs"). He asked what is "Council reimbursements for above" of the Consultant Costs. Mr. Erney stated that those amounts were paid by the bond bank thus he did not have that information. Ms. Coughenour stated that she thinks this reflects that the council carried the costs initially of the acquisition and was subsequently reimbursed.

Ms. Howard asked if the consultant costs for Shrewsberry & Associates ("SA") are reflected in the Consultant Costs. Mr. Erney stated the Department has not received a bill

from SA yet. Ms. Howard asked for a monthly report on minority owned consulting firms retained by the Department in the future.

III. Report of Interim Operations Manager of USFIW, James Keene

Mr. Keene submitted his written report as set forth in Exhibit E, attached hereto and made a part hereof. Mr. Keene reported that he assumed the position of Operations Manager and President of USFIW five days ago. He added that Jim Buckler has been reassigned to another position inside USFilter.

Mr. Keene stated that he has and will continue to meet with employees and is convinced they are strong part of USFIW's operations. He spoke generally of employee efforts during the winter months and opined that they deserved some gratitude for their service.

Mr. Keene stated that Clarian Health Systems and Methodist Medical Group have reached agreement with CIGNA thereby providing employees and retirees continued health care coverage. He noted that this matter has been a concern among employees.

Mr. Keene announced that USFIW has entered into an agreement with Indiana University-Purdue University at Indianapolis concerning a water quality project. Mr. Keene also announced that USFIW exceeded its minority business and women's business participation and local participation goals.

Chairperson Odle reaffirmed the heroic work that USFIW employees have done during the winter months.

Mr. Kimbell stated that he appreciated Mr. Keene's efforts in the past few days. He added that he understood that Mr. Buckler had a discretionary spending authority of no greater than \$5,000. He stated that Mr. Keene in other conversations told him that this would no longer be a concern. He added that he would like Mr. Keene to explain the organizational structure within USFilter.

Mr. Keene stated that he reports to Ron Davis, Executive Vice President USFilter Operating Services, Inc., a half billion dollar company. This group reports to Mike Stark, President of the services group who reports to Andy Seidel, CEO of the services group. He added that he is completely confident that he has the authority to get the job done.

Mr. Kimbell asked Chairperson Odle if he was aware of the CIGNA/Clarian agreement. Chairperson Odle responded affirmatively. Mr. Kimbell stated that he has spoken to one of the leaders of the Community Health group and that it is concerned about maintaining a relationship with CIGNA.

Chairperson Odle asked for an update on the billing system. Mr. Keene stated it would take about two weeks to understand what is currently occurring. He added that USFIW has created a task force to look into this matter and develop solutions and this group will be led by Rosemary Campbell.

Mr. Hudson asked if the information taskforce is authorized to look at the entire system and not just one specific software element. Mr. Keene responded affirmatively. Mr. Hudson asked if the task force is looking at the business system too. Mr. Keene stated it is a total review.

Ms. Coughenour stated that stormwater billing will no longer be provided by USIFW and expressed a hope that this will uncomplicate matters.

Chairperson Odle asked if USFIW has been in sufficient contact with the Indiana Utility Regulatory Commission (IURC). Mr. Keene stated that he attended a meeting with IURC and Chairman McCarty last week. He added that the Chairman expressed his concerns and that USFIW will be in regular communication with IURC.

In response to a question from Chairman Odle, Mr. Keene stated that USFIW would report at the Board's February meeting an update on the internal review and present plans for USFIW operations.

V. Report of the Director of Contracts and Operations of the Department, Carlton Curry

Mr. Curry submitted his report as set forth in Exhibit F, attached hereto and made a part hereof ("Department Report").

Mr. Kimbell asked if other commissioners were present at the meeting with IURC. Mr. Curry stated yes and that she and the chairman were of like mind.

Mr. Wright stated that he has contacted the chairman, Jerry Webb and Ja-Deen Johnson of IURC since this meeting and that he would be communicating with them directly on a regular basis.

VI. 2002 Incentive Criteria Report

Mr. Curry presented the 2002 Incentive Criteria Report as set forth in Exhibit G, attached hereto and made a part hereof ("Criteria Report"). Mr. Curry stated that currently USIFW has earned all but 9 of the incentive criteria items. Mr. Curry summarized the Criteria Report's results.

Mr. Curry stated that the hydrant repair incentive was affected by the UDC negotiations. He added that the Department examined some 600 samples to determine if USFIW met this criteria. He stated that the Department has not received December 2002 data. Mr. Curry stated that of November 2002 data, two noncompliances were detected thus USFIW did not meet this incentive criterion.

Mr. Curry stated that concerning contractually required reports, these have not all been required however the Department will be meeting with USFIW to determine if there is something additional the Department should consider.

Mr. Kimbell asked what is the emergency response rate. Ms. Angela Clerget, Contract Analyst of the Department, stated that USFIW has one hour to respond to emergency situations. Mr. Kimbell asked if these emergencies are customer reported emergencies. Ms. Clerget stated that she did not have information as to the type of emergency.

Mr. Curry clarified that the emergency response criteria only measures when USFIW arrives at a determination of what type of response is needed not when the repair is complete.

Chairperson Odle asked how the Department obtained the response time. Ms. Clerget stated that the time stops when USFIW arrives on the scene and records the time.

Ms. Coughenour asked if this is in reality a completion time. Mr. Curry stated it is when USFIW arrives at a determination as to what remedy is required.

Mr. Hudson asked if the Department is using this process as a learning process to help people understand the importance of correct records while helping to improve the situation. Mr. Curry stated affirmatively. Mr. Curry added that there are a few items that we are paying that we probably shouldn't but conversely there are some that we aren't paying that we probably should.

Mr. Kimbell asked about turn offs and shut offs. Ms. Clerget stated the standard is to respond to customers request to turn off within 24 hours.

Chairperson Odle asked if there is an incentive payment to address the write offs. Mr. Curry stated the collection rate incentive addresses this. Chairperson Odle asked if this matter was improving. Mr. Erney stated he hoped so and that he had seen some improvement.

Ms. Coughenour asked for another copy of the collection policy to be disseminated to her.

Mr. Curry affirmed Mr. Wright stating that the Board does not have to pass a resolution for payment to USFIW on the incentives given that there are additional incentive grades forthcoming in February. He added that the decision to approve payment to USFIW today is within the Board's discretion.

Mr. Wright recommended that the Board wait to authorize payment until after the full incentive grading is complete. He added that waiting for the full report would not affect our payment obligations timetable to USFIW.

Mr. Hudson asked what does the management agreement state on this issue. Mr. Erney stated that the Department per the agreement must present an incentive report to USFIW within 45 days of the beginning of the calendar year and that the Department must pay the incentive amount within 15 days following such presentation. Mr. Erney concurred with Mr. Wright that authorization for payment be made at the February meeting until further auditing can be done to determine which incentives were met.

Mr. Kimbell asked what is the appeal right that USFIW has regarding these grades. Mr. Wright stated that management agreement provides for a coordinating committee to address interpretation of contractual terms and conditions. He added that Board members and USFilter officials comprise that committee.

Mr. Kimbell asked if there is a contractual provision to address what right USFIW would have to appeal a determination by the Department's staff concerning payment of incentive criteria. Mr. Wright responded that the management agreement provides that the Department determines if USFIW met the incentive criteria. Mr. Wright added that the Board in its discretion and with the assistance of staff may choose to establish an appeal mechanism but that the management agreement executed by USFIW does not provide one.

VII. Other Business

Clark Kahlo stated that he would like to see a collaborative water planning process with the Citizens Advisory Group.

Glenn Pratt stated that Mr. Keene has contacted him to meet. He would like to see further progress. He expressed concern about USFIW's NPDES process. He added that he would like to hear more about conservation from USFIW.

Mr. Pratt stated that he would like to thank Mr. Wright for being very cooperative in supplying materials. He is concerned that the Citizens Advisory Group should be more citizen based. He added that the Department has informed him upon his request for information concerning the Unigov statute creating the Department that such information is subject to attorney client privilege and thus would not be disclosed.

Chairperson Odle asked if the Citizens Advisory Group meetings are public meetings. Mr. Wright stated that it is unclear under the letter of the law whether or not this meeting is a public meeting however USFIW and the Department has taken the position that these meetings will be public meetings.

Mr. Pratt stated that he believes that the management agreement does not reflect the statement that former Chairman Mutz made that the CAG would work in the manner as set up for the sewer treatment plant.

Tom Plummer, USFIW employee, asked Mr. Curry if the weather plays a role in calculating management agreement incentives. Mr. Curry stated that weather is a factor in the incentives. Mr. Plummer asked if the incentives can change as the weather worsens. Mr. Curry stated generally they do not.

Chairperson Odle asked for a motion to adjourn. A motion was made and seconded. The Board unanimously approved to adjourn at 6:15 p.m.

Approved this 26th day of February 2003.

Samuel L. Odle, Chairperson

Attest:

S. Michael Hudson,
Secretary-Treasurer